

Chapter 11

Related party transactions: Premium listing

Transactions to which related party transaction rules do not apply

Small transaction

- 1 A transaction or arrangement where each of the applicable *percentage ratios* is equal to or less than 0.25%.
- Transaction agreed before person became a related party

- 1A A transaction the terms of which:
- (1) were agreed at a time when no party to the transaction or person who was to receive the benefit of the transaction was a *related party*; and
 - (2) have not been amended, or required the exercise of discretion by the *listed company* under those terms, since the party or person become a *related party*.

Issue of new securities and sale of treasury shares

- 2 A transaction that consists of:
- (1) the take up by a *related party* of new *securities* or *treasury shares* under its entitlement in a pre-emptive offering;
 - (2) an issue of new *securities* made under the exercise of conversion or subscription rights attaching to a listed class of *securities*.

Employees' share schemes and long-term incentive schemes

- 3 The:
- (1) receipt of any asset (including cash or *securities* of the *listed company* or any of its *subsidiary undertakings*) by a *director* of the *listed company*, its *parent undertaking* or any of its *subsidiary undertakings*; or
 - (2) grant of an option or other right to a *director* of the *listed company*, its *parent undertaking*, or any of its *subsidiary undertakings* to acquire (whether or not for consideration) any asset (including cash or new or existing *securities* of the *listed company* or any of its *subsidiary undertakings*); or
 - (3) provision of a gift or loan to the trustees of an employee benefit trust to finance the provision of assets as referred to in (1) or (2);

in accordance with the terms of an *employees' share scheme* or a *long-term incentive scheme*.

Credit

- 4 A grant of credit (including the lending of money or the guaranteeing of a loan):
- (1) to the *related party* on normal commercial terms;
 - (2) to a *director* for an amount and on terms no more favourable than those offered to employees of the group generally; or
 - (3) by the *related party* on normal commercial terms and on an unsecured basis.

Directors' indemnities and loans

- 5 (1) A transaction that consists of:

- (a) granting an indemnity to a *director* of the *listed company* (or any of its *subsidiary undertakings*) if the terms of the indemnity are in accordance with those specifically permitted to be given to a *director* under the Companies Act 2006;
 - (b) maintaining a contract of insurance if the insurance is in accordance with that specifically permitted to be maintained for a *director* under that the Companies Act 2006 (whether for a *director* of the *listed company* or for a *director* of any of its *subsidiary undertakings*); or
 - (c) a loan or assistance to a *director* by a *listed company* or any of its *subsidiary undertakings* if the terms of the loan or assistance are in accordance with those specifically permitted to be given to a *director* under section 204, 205 or 206 of the Companies Act 2006.
- (2) Paragraph (1) applies to a *listed company* that is not subject to the Companies Act 2006 if the terms of the indemnity or contract of insurance are in accordance with those that would be specifically permitted under that Act (if it applied).

Underwriting

- 6 (1) The underwriting by a *related party* of all or part of an issue of *securities* by the *listed company* (or any of its *subsidiary undertakings*) if the consideration to be paid by the *listed company* (or any of its *subsidiary undertakings*) for the underwriting:
- (a) is no more than the usual commercial underwriting consideration; and
 - (b) is the same as that to be paid to the other underwriters (if any).
- (2) Paragraph (1) does not apply to the extent that a *related party* is underwriting *securities* which it is entitled to take up under an issue of *securities*.

7 [deleted]

Joint investment arrangements

- 8 (1) An arrangement where a *listed company*, or any of its *subsidiary undertakings*, and a *related party* each invests in, or provides finance to, another undertaking or asset if the following conditions are satisfied:
- (a) the amount invested, or provided, by the *related party* is not more than 25% of the amount invested, or provided, by the *listed company* or its *subsidiary undertaking* (as the case may be) and the *listed company* has advised the FCA in writing that this condition has been met; and
 - (b) a *sponsor* has provided a written opinion to the FCA stating that the terms and circumstances of the investment or provision of finance by the *listed company* or its *subsidiary undertakings* (as the case may be) are no less favourable than those applying to the investment or provision of finance by the *related party*.
- (2) The advice in paragraph (1)(a) and the opinion in paragraph (1)(b) must be provided before the investment is made or the finance is provided.

Insignificant subsidiary undertaking

- 9 (1) A transaction or arrangement where each of the conditions in paragraphs (2) to (6) (as far as applicable) is satisfied.
- (2) The party to the transaction or arrangement is only a *related party* because:
- (a) it is (or was within the 12 months before the date of the transaction or arrangement) a *substantial shareholder* or its *associate*; or
 - (b) it is a *person* who is (or was within the 12 months before the date of the transaction or arrangement) a *director* or *shadow director* or his *associate*;

of a *subsidiary undertaking* or *subsidiary undertakings* of the *listed company* that has, or if there is more than one *subsidiary undertaking* that have in aggregate, contributed less than 10% of the profits of, and represented less than 10% of the assets of, the *listed company* for the relevant period.

- (3) The *subsidiary undertaking* or each of the *subsidiary undertakings* (as the case may be) have been in the *listed company's group* for one full financial year or more.
- (4) In paragraph (2), "relevant period" means:
 - (a) if the *subsidiary undertaking* or each of the *subsidiary undertakings* (as the case may be) has been consolidated in the *listed company's group* for one full financial year or more but less than three full financial years, each of the full financial years before the date of the transaction or arrangement for which accounts have been published; and
 - (b) if the *subsidiary undertaking* or any of the *subsidiary undertakings* (as the case may be) has been consolidated in the *listed company's group* for three full financial year or more, each of the three full financial years before the date of the transaction or arrangement for which accounts have been published.
- (5) If the *subsidiary undertaking* or any of the *subsidiary undertakings* (as the case may be) are themselves party to the transaction or arrangement or if *securities* in the *subsidiary undertaking* or any of the *subsidiary undertakings* or their assets are the subject of the transaction or arrangement, then the ratio of consideration to market capitalisation of the *listed company* is less than 10%.
- (6) In this *rule*, the figures to be used to calculate profits, assets and consideration to market capitalisation are the same as those used to classify profits, assets and consideration to market capitalisation in LR 10 Annex 1 (as modified or added to by LR 10.7 where applicable).